

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Shelley Analyst: Roger Lackey Bill Number: AB 1596
Related Bills: See Legislative History Telephone: 845-3627 Introduced Date: 02-23-2001
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Limited Liability Partnerships & Foreign Limited Liability Partnerships/Architecture

SUMMARY

This bill would permanently allow limited liability partnerships (LLP) to engage in the practice of architecture.

PURPOSE OF THE BILL

Author's staff has indicated the intent of the bill is to allow LLPs to continue to engage in the practice of architecture.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative January 1, 2002.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

Federal law does not provide any special treatment for LLPs.

Existing state law, in the Business and Professions Code pertaining to architecture, defines "person" as including any individual, firm, corporation, or LLP.

Existing state law defines "professional services" as any type of professional services that may be lawfully rendered only pursuant to a license, certificate, or registration authorized by the Business and Professions Code or the Chiropractic Act.

Existing state law in the Uniform Partnership Act defines "professional LLP services" to mean the practice of architecture, public accountancy, or law.

Board Position:

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Department Director

Date

Gerald H. Goldberg

05/25/01

Existing state law in the Uniform Partnership Act defines “registered LLP” and “foreign LLP” to mean a limited liability partnership, other than a limited partnership, that engages in the practice of architecture, public accountancy, or law.

Existing state law imposes an annual tax in an amount equal to the minimum franchise tax (currently \$800) on every LLP organized in this state, registered with the Secretary of State (SOS) of this state, or doing business in this state. This annual tax is payable until a certificate of cancellation is filed with the SOS or the LLP ceases to do business in this state, whichever is later.

The authority to practice architecture as a registered or foreign LLP will expire on January 1, 2002.

THIS BILL

This bill would repeal the sunset date in existing law that would allow registered and foreign LLPs to engage in the practice of architecture only until January 1, 2002. As a result, this bill would allow LLPs to engage in the practice of architecture indefinitely.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department’s programs and operations.

LEGISLATIVE HISTORY

AB 469 (Cardoza, Stats. 1998, Ch. 504) added architecture to the professional practices engaged in by registered and foreign LLPs.

OTHER STATES’ INFORMATION

The following states were chosen because their income tax system is similar to California’s.

Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York all recognize limited liability partnerships as business entities. However, it’s not known if these entities are specifically allowed to practice the profession of architecture.

FISCAL IMPACT

This bill would not impact the department’s costs.

ECONOMIC IMPACT

Any income tax impact this extension may have pertaining to certain firms operating as limited liability partnerships rather than some other entity type is unknown but may not be particularly significant.

According to departmental data, there were fifteen limited liability partnerships registered in the state in year 1999 providing architectural services.

LEGISLATIVE STAFF CONTACT

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